



To: The Senate Education Committee
From: Nicole L. Mace
Re: The Allowable Growth Provision of Act 46
Date: January 8, 2016

Thank you for the opportunity to testify before the committee regarding the allowable growth provision of Act 46. The allowable growth provision was designed to respond to very real and legitimate concerns about rising school costs and associated property tax rates. Different approaches to cost containment were modeled before the current provision was negotiated in the H.361 conference committee during the final days of the session. However, due to the rushed nature of the negotiation, the effects this provision were not analyzed or well-understood at the time.

The Vermont School Boards Association believes that the allowable growth provision of Act 46 is flawed public policy, the application of which could jeopardize local efforts to implement the governance provisions and accomplish the goals of the Act.

In October, our members passed a resolution calling for the repeal of the allowable growth rate: **The General Assembly should repeal the “allowable growth” provision of Act 46 and replace it with a system or formula that more equitably controls costs and creates efficiencies, while preserving educational quality.**

We fear that the mechanism designed to provide immediate taxpayer relief could result in the perverse outcome of tax *increases* in many communities, while at the same time worsening, rather than improving, the state’s growing challenges around equity, quality and cost-effectiveness.

First, we know that **59% of the allowable growth target statewide will be consumed by new health care costs.** For FY 2017 the statewide 2% overall growth

target is about \$24.6 million. Health care premium increases have been set at 7.9% for FY 2017, equal to \$14.5 million.

Collective bargaining agreements are in place through FY 2018 in over 55 districts/SUs. Those districts have little ability to respond to the allowable growth provision if they agreed to salary and health insurance increases that exceed their district's allowable growth threshold amount.

Second, we know that **in districts that are bound by law to pay tuition at the secondary level to public or independent schools, the only place boards have to go to cut is the elementary school district budget.** This is not a new dynamic but it is one that is exacerbated in the current environment; school board members are extremely concerned about what the impact of these cuts will mean for quality in those elementary schools.

Third, we know that **in many districts there is not much room to move without implementing cuts that will damage quality.** For several years, many school boards have presented very lean budgets to their communities and have made difficult decisions in order to do so. Absent the ability to share staff and other resources under the type of unified governance structure contemplated by Act 46, many districts with a low growth rate are faced with few choices other than to exceed the threshold or impair quality.

Getting a handle on student-staff ratios is an important obligation among school officials that is difficult to accomplish in the absence of scale. Ultimately, right-sizing staffing levels must be evaluated in the context of a district's responsibility to ensure equity, quality and cost-effectiveness. Given the interest on the part of school districts to move toward unified governance systems, the better public policy approach would be to give those districts time to complete that work so that they can address staffing levels and other cost centers in a more responsible manner.

Fourth, we know that **absent economies of scale, a dollar available in one district does not have the same purchasing power as a dollar in another district.** This calls into question the fairness of a mechanism that applies an allowable growth percentage based on education spending per pupil, especially at a time when the mission of public education is expanding through initiatives like universal access to pre-k education and personalized learning.

Finally, we believe that sometimes **voters respond differently to budget proposals depending on socio-economic and other demographic factors,** as

well as the voting systems employed in those communities. We have concerns that the allowable growth provision will exacerbate inequities in the resources available to students based on historic voting patterns in different communities.

Because of the variability of our districts I cannot sit here and share with you a neat summary regarding the impacts of the allowable growth provision statewide. Instead, I will share with you some examples, starting with some districts that are holding merger votes in 2016:

- In a small district in Rutland county with one K-6 school, where enrollment has dropped significantly over two years, the board is cutting a .5 teacher, retiring a long term teacher, cutting the principal back 20%, and it is still likely that they will be slightly above the threshold. They are part of a group of districts proposing a merger plan to their voters in the next few months.
- In another group of Rutland county districts pursuing a merger this year, one district is proposing to decrease their budget by over 5% but is still \$260,000 over the threshold. Another has cut 2% of their budget but is nevertheless in a position of exceeding the threshold by over \$100,000.
- A group of Addison county districts headed for a vote on Town Meeting Day will have to cut \$1.5 million from their collective budgets in order to stay under the allowable growth threshold. One of the districts has reduced 11 positions in the last 2 years and does not believe that sustaining more staffing cuts is responsible in terms of educational quality and opportunity.

The next several examples come from communities that are not pursuing merger votes in 2016 but are actively participating in merger study committees:

- One small district in the Northeast Kingdom experiencing an extremely challenging economic climate has reduced staffing and opportunities for its students in recent years. This year, in order to stay below the allowable growth threshold, the board will have to severely limit what opportunities remain, reducing Music, Art, and Physical Education offerings, which are already limited. They are delaying upgrades to more modern technology and investments in building maintenance. The board is reluctant to present a budget to voters that includes those kinds of cuts.
- In another very small Windsor county district engaged in a merger study committee, the district is looking at a 33 cent tax increase just to maintain current programming. Doing so puts them \$220,000 over the cap. Because it is such a small school, there is no way to responsibly cut \$220,000 in a single year and they anticipate exceeding the threshold.

- Another group of Windsor county districts is relying entirely on using surplus funds to offset expenses and stay under the threshold. This is not an uncommon approach among districts, and one that poses significant risks in terms of districts' position heading into the FY 2018 budget season.

The Joint Fiscal Office is currently predicting that 127 districts will exceed the threshold this year, resulting in \$9.5 million in tax *increases* in communities across the state.

Timing presents a serious challenge. Addressing the underlying flaws of the allowable growth provision is not work that can be accomplished in two weeks. If lawmakers rush to modify the allowable growth provision without the benefit of sufficient testimony and analysis, it is likely that an alternative will emerge with equal or greater problems than the current provision.

At the same time, boards need clarity within the next two weeks before budgets are warned and sent to the printers. We urge the General Assembly to act immediately to either repeal or delay implementation of the allowable growth provision and spend the remainder of the 2016 session developing a replacement provision that adequately addresses the concerns we and others have raised.

Act 46 advances the goals of equity, quality and sustainability. The application of the allowable growth percentage is in conflict with those goals. On behalf of school boards in Vermont, I urge the Senate Education Committee and legislative leaders to take immediate action to address these concerns.